



**Manitoba Lotteries
Foundation**

Annual Report 1986-87

The Manitoba Lotteries Foundation is responsible for the management and operation of lottery schemes on behalf of the Province; and the licensing of charitable and religious organizations to conduct gaming activities.

Minister responsible for the Administration of the Manitoba Lotteries Foundation Act

The Honourable Judy Wasylycia-Leis

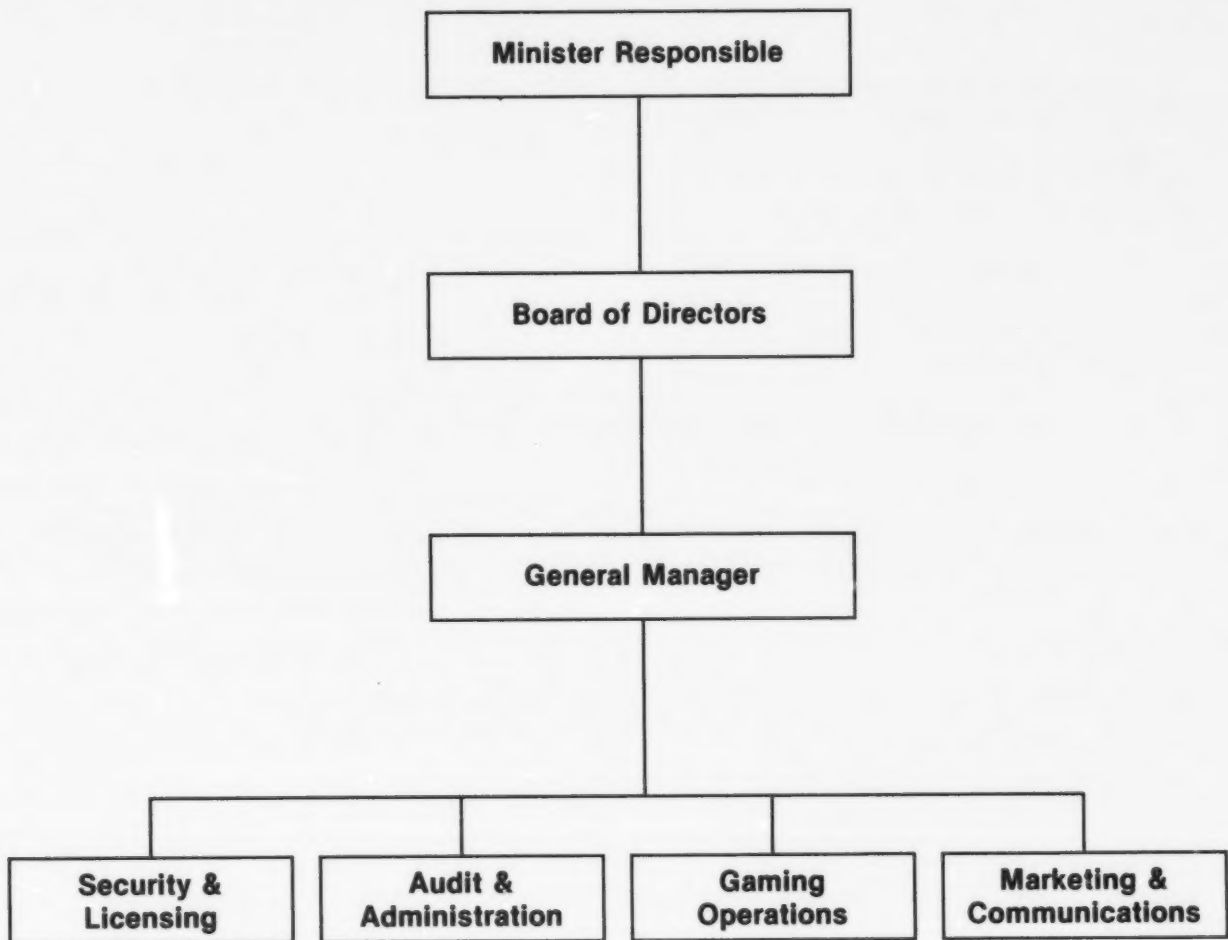
Board of Directors

L. Toms, Chair
M. Therrien, Vice-Chair
J. Carrigan
J. Durcan
E. Gautron
I. Gregoire
F. Powell
V. Pruden
H. Robinson

General Manager

Garth Manness

ORGANIZATIONAL STRUCTURE





MANITOBA LOTTERIES FOUNDATION

830 EMPRESS STREET, WINNIPEG, MANITOBA R3G 3H3
TELEPHONE: (204) 945-3524

Honourable Judy Wasylycia-Leis
Minister responsible for Lotteries
Room 141 Legislative Building
WINNIPEG, Manitoba
R3C 0V8

Madam:

I have the honour to transmit herewith the Annual Report of the Manitoba Lotteries Foundation for the fiscal period ended March 31, 1987.

Respectfully submitted,

A handwritten signature in cursive script, reading "Lois Toms". The signature is fluid and elegant, with the first and last names clearly distinguishable.

Lois Toms
Chair
MLF Board



MANITOBA LOTTERIES FOUNDATION

830 EMPRESS STREET WINNIPEG, MANITOBA R3G 3H3
TELEPHONE (204) 945-3524

Ms Lois Toms
Chair
Manitoba Lotteries Foundation
830 Empress Street
WINNIPEG, Manitoba
R3G 3H3

Dear Ms Toms:

I am honoured to present this, the Fourth Annual Report of the Manitoba Lotteries Foundation.

This report is a summary of the affairs and activities of the Foundation during the fiscal year ended March 31, 1987. It contains financial statements, some operational highlights and also includes the Report of the Provincial Auditor.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Garth Manness'. The signature is fluid and cursive, with a long, sweeping underline that extends to the left.

Garth Manness
General Manager

REPORT FROM THE CHAIR

Fiscal year 1986-87 was another active and successful year for the Manitoba Lotteries Foundation. The Board of the Foundation continued to strive towards a fair and equitable lottery system by analyzing and changing programs, policies and terms and conditions as required.

The Board revised its licensing provisions to ensure that licenses were granted to charitable and religious organizations for the purposes of raising funds for programs which were charitable, religious and of benefit to a significant portion of the community. These licensing provisions ensure that the Board is complying with the guidelines for licensing set out in the Criminal Code.

The Board held a major planning session in the summer of 1986 analyzing existing programs and policies towards setting a framework for future development in the gaming industry.

Property at 484 McPhillips Street was purchased which will eventually be the location of a bingo hall to replace the present hall at 427 McPhillips. Over the next five years, the Foundation plans to replace the two existing ha's with new bingo facilities designed specifically for bingo operation.

The Honourable Judy Wasylycia-Leis, Minister responsible for the Manitoba Lotteries Foundation, announced a major Needs Assessment to determine the appropriate distribution of gaming revenues. Being primarily responsible for the operation and regulation of gaming activity, the Manitoba Lotteries Foundation determined that it should not play a direct role in the Needs Assessment study. However, it will

be playing an advisory role to the consultants and the Minister, similar to the role played by the Umbrella and Special Agreement Groups.

The Board is pleased with the positive financial performance of the Foundation in 1986-87 and also with the effective licensing and regulatory role played by the Foundation. On behalf of the Board of the Foundation, I thank the management and staff of the Foundation for their work and look forward to continued success in the future.

Lois Toms,
Chairperson

GENERAL MANAGER'S REPORT

The Manitoba Lotteries Foundation is pleased to report an increase in net profit of 14.7% in the 1986-87 fiscal year. As a result of the 1986-87 operations over \$53,000,000 was generated from the activities of the Foundation and distributed to the six umbrella groups, six special agreement groups and two Departments of Government that share in gaming proceeds.

This increase in net profit was achieved primarily from the 27% increase in lottery ticket sales in Manitoba in the fiscal year 1987. Sales of Lotto 6/49 increased by close to 30% as a result of a full year of two draws per week. This game change was introduced in September of 1985.

A major game revision in the Western Express introduced in January of 1986 allowed that game to realize a sales increase of over 140% from the previous year. Instant tickets continued to grow in popularity evidenced by a 38% increase in sales.

The Provincial and Super Loto products remained relatively stable while Lotto West experienced significant reductions in sales leading to a change in the game to a new lotto game format called Lotto 6/36 in April of 1987.

The year was a status quo year for bingo for the MLF as the operations at 427 McPhillips and 970 Nairn continued to generate significant amounts of money for the many community groups that shared in bingo revenue. Over \$4,300,000 was generated for worthwhile community projects from bingo operations at the two MLF facilities.

Casino operations continued at the "Casino at the Centre" in the Winnipeg Convention

Centre as well as a variety of communities outside Winnipeg. The MLF continued to introduce new casino games such as Sic Bo and Single Deck Blackjack in order to meet the game requests of casino patrons. A seven-week trial casino ran in early 1987 at the "Casino at the Centre" as the MLF tested the viability of a 5-day/week casino on a regular basis. As a result of this test, all Winnipeg casinos are now being run on a 5-day/week basis Tuesday to Saturday. Operations continue on a 90-day/year basis in the City of Winnipeg.

The regulatory arm of the MLF continued to review applications for lottery licenses, review the terms and conditions for licensing, investigate lottery activities and audit lottery reports, in all cases ensuring that lottery activities were conducted in a manner which was fair to the Manitoba public and generated revenue for legitimate community projects. The audit and investigative staff of the MLF monitors licensed activities to ensure that the integrity of the gaming business in Manitoba is protected.

The Manitoba Lotteries Foundation works closely with the Western Canada Lottery Corporation in the Prairie Provinces and with the Interprovincial Lottery Corporation nationally to ensure that lottery games are offered which are desired by the Manitoba public.

The Foundation also works co-operatively with the beneficiaries of gaming revenue, the Umbrella/Special Agreement Groups, ensuring a strong and viable system for the distribution of gaming funds into the Manitoba community.

Garth Manness,
General Manager

AUDIT AND ADMINISTRATION

The Audit and Administration Division is responsible for the centralized and internal services of the Foundation.

During the year ended March 31, 1987, staff within the Audit and Administration Division were responsible for ...

- a) performing financial analyses and audits of licensed lottery schemes;
- b) providing centralized purchasing and accounting services for the Foundation;
- c) co-ordinating the Foundation's operational and strategic planning and evaluation;
- d) managing the finances entrusted to the Foundation;
- e) performing internal audits;
- f) designing, developing, implementing and operating computerized information systems;
- g) processing customer orders for breakopen tickets, bingo paper, and lottery tickets;
- h) providing reception and switchboard services for the head office.

Table 1.

Projected Proceeds of Licensed Activities

	REVENUE	PRIZES	EXPENSES	PROFIT
1986-87				
Bingo	\$37,279,000	\$26,497,000	\$ 5,073,000	\$ 5,709,000
Breakopen	49,708,000	32,412,000	5,264,000	12,032,000
Raffle	5,451,000	2,293,000	603,000	2,555,000
1985-86				
Bingo	\$30,094,000	\$21,749,000	\$3,634,000	\$4,711,000
Breakopen	48,244,000	31,383,000	6,809,000	10,052,000
Raffle	4,325,000	1,952,000	528,000	1,845,000

GAMING OPERATIONS

The Gaming Operations Division is responsible for the management and operation of Casino at the Centre, Pot 'O Gold Bingo, Bonanza Bingo and casinos outside Winnipeg.

Casino Operations

Casino at the Centre continued to operate at the downtown location in the Winnipeg Convention Centre in 1986-87. Ten Umbrella and Special Agreement Groups shared in the proceeds generated through the casino. In addition to the regular schedule, a seven week experimental period was operated in February and March of 1987. This period allowed a number of performance and scheduling systems to be tested and evaluated.

Casino staff participated in a variety of training programs throughout the year. These programs not only provided training sessions for two new games, Sic Bo and Baccarat, but also ensured that a high level of integrity and proficiency was maintained in the operation of other casino games offered to the public, such as Blackjack, Roulette and Big Six.

In this fiscal period, casinos were also operated in 28 other locations outside the City of Winnipeg. Proceeds from these 118 days of operations were distributed directly to the 49 participating charitable groups in those communities.

Bingo Operations

The Manitoba Lotteries Foundation continued the operation of two bingo halls in Winnipeg at 427 McPhillips Street and 970 Nairn Avenue throughout 1986-87.

Charitable community organizations were scheduled to participate at specified bingos through the Umbrella Groups. The organizations provided volunteers to assist in the operation of the bingo and earned funds directly from those events.

MARKETING AND COMMUNICATIONS

The Marketing and Communications Division consisted of three sections: Bingo Paper and Breakopen Tickets, Lottery Tickets and Communications. This Division was responsible for the marketing and distribution of lottery and gaming products and informing the Manitoba community of the role of the Manitoba Lotteries Foundation and the use of gaming proceeds.

Bingo Paper/Breakopen Tickets

All organizations licensed by the Foundation were required to purchase breakopen tickets and bingo paper from the Foundation. These products bear the Foundation name and/or logo and were provided to licensee groups on a cost plus basis -- with all delivery and handling charges factored into the price.

Throughout the year the Foundation's Field Representatives continued to advise community organizations on the effective operation of their bingo events and the sale of breakopen tickets. Information and assistance was provided to groups on request regarding game plans, pricing and selling strategies, financial reporting and other licensing requirements. Those consultation services were also available to more than 130 hotels participating in the sale of breakopen tickets on behalf of Manitoba Medical Research.

Lottery Tickets

During 1986-87, the Manitoba Lotteries Foundation authorized the installation of 83 lottery terminals for the sale of national (Lotto 6/49) and regional (Lotto West) electronic lottery ticket games. This brought the number of terminals at northern, rural and urban retail locations in Manitoba to 448 at year end.

Staff continued to implement the sign and fixture program introduced the previous year.

Communications

Information programs were designed for delivery over the next two to three year period. Staff of the Communications Section was brought to a complement of five during the 1986-87 fiscal period. This included a writer, trainer and a communications officer. In addition to initiation of a corporate image campaign, scheduled advertising was provided for the Foundation's Casino at the Centre.

SECURITY AND LICENSING

The Security and Licensing Division is responsible for providing a licensing system for the Province and ensuring appropriate security in gaming products offered to the public and within MLF gaming operations and facilities.

During 1986-87 staff of the Security Division acted on a variety of complaints regarding licensed activities, lottery tickets, conduct of games and gaming events and the use of funds earned. Investigations were also conducted on violations of the Terms and Conditions, the Criminal Code and various statutory offences.

In the fall of 1986 a full time CCTV staff was assembled for the Casino at the Centre. In addition, contract security guards were introduced at most casinos outside Winnipeg.

Over 2000 license applications were reviewed by the Licensing Sub-Committee of the Board during the year. All applications were thoroughly researched by staff before review.

Table 2.**Active Licenses (3 year comparison)**

	1984-85	1985-86	1986-87
Bingo	661	614	627
Breakopen Tickets	713	704	924
Raffle	206	270	302
Wheel of Fortune	62	44	18
Calcutta Auction	46	47	40
Midway	8	7	2
Exhibitions	1	--	--
Agricultural Fair	--	1	--
Monte Carlo Casino	1	7	10
	1698	1694	1923

Table 3**Number of Investigations - April 1/86 to March 31/87**

Complaints investigated	402
Licensing referrals	100
Audit referrals	64
Bingo inspections	68
Breakopen ticket inspections	95
Breakopen ticket inspections (hotels)	62
Lottery ticket investigations	11
Confidential inquiries	2

DISTRIBUTION OF FUNDS

Umbrella Groups:

In Manitoba, the Umbrella Group System provides the mechanism for the fair and equitable sharing of gaming proceeds throughout the community. The Foundation monitors the functioning of the system and requires annual financial reporting from participating Umbrella Groups. Each individual Umbrella determines the criteria by which funds may be best distributed to community groups throughout the Province. The Umbrella Groups receive specified amounts of the proceeds from the Gaming Fund, casinos, bingos or some combination of those. Information on services of the Umbrellas and the lottery-funded programs offered is available by contacting them directly.

Manitoba Community Services Council

3rd fl. - 5 Donald Street
Winnipeg, Manitoba R3L 2T4
Ph. 475-3728

Manitoba Community Education Association

c/o 104 Brock Street
Winnipeg, Manitoba R3N 0Y4
Ph. 942-0161

Manitoba Sports Federation

1700 Ellice Avenue
Winnipeg, Manitoba R3H 0B1
Ph. 985-4000

Manitoba Arts Council

525-93 Lombard Avenue
Winnipeg, Manitoba R3B 3B1
Ph. 945-2239

Manitoba Intercultural Council

500-283 Bannatyne Avenue
Winnipeg, Manitoba R3B 3B2
Ph. 945-4576

Manitoba Heritage Federation

Room 434-167 Lombard Avenue
Winnipeg, Manitoba R3B 0T6
Ph. 943-4568

Manitoba Community Services Council

Non-profit, volunteer organizations that provide various services for the benefit of their respective communities receive gaming-funded support through the Manitoba Community Services Council. Recreation, youth and senior services, day cares, health related services and other social services are among those considered by the Council.

The board of the Manitoba Community Services Council consists of up to fifteen volunteers representing both rural and urban Manitoba.

This Umbrella's only mandate is to allocate gaming funds. In 1986-87, the Manitoba Community Services Council allocation from the Gaming Fund was \$3,196,182.00. A further \$799,009.00 was earned through the bingo halls and \$238,439.00 through the casino. Total earnings were \$4,233,630.00.

Manitoba Community Education Association

A number of parochial and independent schools throughout the Province are represented by the Manitoba Community Education Association Inc. These share in revenues generated by casinos and bingo events and, in turn, provide volunteers to assist in their operation.

Funds are allocated to participating member schools in proportion to their respective student enrollments. Non-denominational, Roman Catholic and Jewish schools are among the membership.

In fiscal 1986-87 members of this Umbrella shared in \$616,519.00 of gaming revenues.

Manitoba Sports Federation

Over 70 provincial sport associations, multi-sport bodies and non-profit amateur sports organizations throughout Manitoba are represented by the Manitoba Sports Federation, whose main objective is the promotion and development of sport in the Province.

Gaming revenues to this group are divided between the operation of the Manitoba Sports Federation itself, and the Sports Governing Bodies. The affairs of this Umbrella are, in turn, directed by a Gaming Advisory Committee appointed by and reporting to the Manitoba Sports Federation.

During 1986-87, the Manitoba Sports Federation earned \$606,177.00 in casino proceeds while an additional \$2,511,123.00 was raised by sports organizations at MLF-operated bingo halls. The Gaming Fund allocation to the Federation was \$7,287,296.00. Total earnings for 1986-87 were \$10,404,596.00.

Manitoba Arts Council

Not-for-profit, professional arts groups and province-wide arts organizations are represented by the Manitoba Arts Council. Lottery revenues are applied by this Umbrella toward special projects, tours, deficit reduction and operations.

Rainbow Stage, the Royal Winnipeg Ballet, the Winnipeg Symphony Orchestra, the Manitoba Writers' Guild and the Manitoba Association of Community Arts Councils are among the organizations that receive funding through this Umbrella.

Lottery revenues are shared between the Manitoba Arts Council and the Arts Gaming Commission on a 75% - 25% ratio. The Gaming Commission consists of a board of volunteers that reports to the Council.

Arts organizations earned \$5,484,596.00 in 1986-87 through the allocation of bingo, casino and the gaming fund.

Manitoba Intercultural Council

Enthnocultural communities and eligible organizations which provide cultural activities beneficial to Manitobans are represented by the Manitoba Intercultural Council. Operational funding, capital projects, new cultural projects and intercultural activities are examples of activities supported.

Recommendation on the distribution of gaming revenues is completed by the Community Resources Allocation Committee which is appointed by and reports to the Manitoba Intercultural Council's board. All profits awarded to this Umbrella are maintained in the Ethnocultural Community Support Fund.

During 1986-87, the Manitoba Intercultural Council was allocated \$926,595.00 from the Gaming Fund. In the year ended March 31, 1986, member organizations shared in \$283,239.00 earned through bingo and \$150,734.00 earned through the casino.

Manitoba Heritage Federation

A total of 69 community-based, incorporated organizations and six provincial associations — all united by common heritage objectives — make up the Manitoba Heritage Federation. This Umbrella's gaming committee consists of representatives from all over Manitoba and includes the following disciplines:

- Archaeology
- Archives
- Environmental & Natural History
- Genealogy
- Historical Architecture
- History
- Museology

Grants are extended to museum boards, historical societies, sponsored individuals, and heritage groups for the continued development and promotion of heritage projects and programs throughout the Province.

The Manitoba Heritage Federation shares in revenues from the casino and during the 1986-87 period realized \$584,440.00.

Special Agreement Groups:

The Manitoba Lotteries Foundation allocated gaming revenues to a number of other organizations for projects, programs and related activities which met objectives agreed to by both parties. These organizations received proceeds from Casino at the Centre, a specified amount of the Gaming Fund or a share in breakopen ticket revenues. Information on the programs and projects of these groups is available by contacting them directly.

Manitoba Medical Research

800 Sherbrook Street
Winnipeg, Manitoba R3A 1M4
Ph. 787-2022

Red River Exhibition Association

876 St. James Street
Winnipeg, Manitoba R3G 3J7
Ph. 772-9464

Le Festival du Voyageur

768 Tache Avenue
Winnipeg, Manitoba R2H 2C4
Ph. 237-7692

Folk Arts Council of Winnipeg (Folklorama)

375 York Avenue
Winnipeg, Manitoba R3C 3J3
Ph. 944-9793

The United Way of Winnipeg

3rd fl. - 5 Donald Street
Winnipeg, Manitoba R3L 2T4
Ph. 477-5360

Winnipeg Blue Bombers Football Club

1465 Maroons Road
Winnipeg, Manitoba R3G 0L6
Ph. 775-9751

Manitoba Medical Research

The Manitoba Hotel Association (MHA) first agreed to market breakopen tickets in August 1981. Proceeds from these sales were then used to support the St. Boniface General Hospital Research Foundation.

An official letter of agreement in March 1984 confirmed the continued success of this form of fund-raising in Manitoba. By the end of the 1984-85 fiscal year, the commitment to the St. Boniface General Hospital had been met. Since that time, funds have been forwarded to the (Winnipeg) Health Sciences Center Research Foundation.

The MLF provided hoteliers with marketing and management resources through field representatives. Manitoba Medical Research received 13.5% of the gross revenue generated by the sale of breakopen tickets in hotels while the hotels received a commission of 7.5%.

The proceeds to Manitoba Medical Research and participating hospitals from breakopen tickets sold in MHA-member hotels during 1986-87 totalled \$1,587,673.00.

Red River Exhibition Association

Originated by The Kinsmen Club of Winnipeg in 1952, the Red River Exhibition Association is a volunteer, non-profit community-sponsored organization and is also an agricultural society.

Each June, the Red River Exhibition is held in the area immediately surrounding (and including) the Winnipeg Stadium and Arena. A multitude of rides, agricultural/horticultural exhibits and competitions, food and entertainment is offered in one of the province's most popular summer attractions.

The affairs of this group are managed by a Board of 43 Directors — all of whom are volunteers. Its objectives include the promotion of Manitoba industry, agriculture, tourism and commerce; better understanding between racial and economic groups; and the promotion, assistance and conduct of fairs, shows and lawful games of all kinds — not limited to those involving horses, cattle, agriculture, horticulture, industry, athletics and recreation.

During the fiscal year of 1986-87, the Red River Exhibition earned a total of \$264,000.00 in MLF-casino generated revenues.

Le Festival du Voyageur

A unique and colourful organization, Le Festival du Voyageur was also supported by profits generated by the Manitoba Lotteries Foundation's casino.

The Festival is an annual, week-long celebration of French-Canadian, Metis and Native culture and heritage. It is also the largest winter festival to be found in Western Canada.

Each February, Le Festival du Voyageur provides Manitobans with an opportunity to sample such diverse and exciting activities as ice sculpture, hockey, a wide range of foods, music and dance as well as cultural exhibits, a Mardi Gras and even a beard-growing competition.

Le Festival du Voyageur attracts and appeals to a growing number of Manitoba patrons and participants yearly.

During the fiscal period of 1986-87, a total of \$261,275.00 was generated by the Manitoba Lotteries Foundation casino to be used expressly by Le Festival du Voyageur.

Folk Arts Council of Winnipeg

Another famous ethno cultural festival which derived financial support from the gaming profits of the Manitoba Lotteries Foundation is Folklorama.

Organized and supervised by The Folk Arts Council of Winnipeg, a non-profit, community-sponsored organization, Folklorama truly is a "Festival of Nations". Every August since 1969, Folklorama pavilions — each representing a different nationality or ethnic heritage — have been swelling in number and in popularity, not just with Manitobans but with people from other parts of Canada and the United States. Visitors are offered a wide and colourful variety of ethnic foods, music, dance and exhibits; and are encouraged to "travel" throughout Winnipeg in order to see as many different pavilions as they desire.

Like other Special Agreement Groups, The Folk Arts Council of Winnipeg also benefitted from the proceeds of the casino. During the fiscal period of 1986-87, The Folk Arts Council of Winnipeg earned a total of \$236,268.00 casino-generated revenue.

The United Way of Winnipeg

The United Way works on behalf of over 65 service agencies such as Meals On Wheels, the YMCA's and YWCA's and the Canadian Red Cross Society and has shared in lottery revenues since 1975. Now, the United Way receives 5.6% of the Gaming Fund. These funds are to be used for the administration expenses of the United Way of Winnipeg; the allocations to 14 United Ways in Manitoba outside Winnipeg; and an allocation to the United Way of Canada. Any funds remaining are forwarded to the Manitoba Community Services Council. This enables the organization to use monies raised through annual donation

campaigns (plus interest) to pay for services, programs or projects provided by the United Way and its various participating agencies throughout the Province.

During the fiscal year of 1986-87, the MLF contribution to the United Way totalled \$2,386,483.00.

Winnipeg Blue Bombers Football Club

Football fans throughout the Province enjoy the colourful, action-packed exploits of the Bombers, season after season.

Like the other non-profit, community-sponsored organizations the Winnipeg Blue Bombers also shared financial support from the Manitoba Lotteries Foundation. Each year since 1981, the Winnipeg Blue Bombers Football Club has received gaming profits generated by the casino.

During the 1986-87 fiscal year, the Winnipeg Blue Bombers Football Club earned \$207,935.00 in casino-generated funds.

Government of Manitoba:

Gaming revenues were provided to two Departments of Government to support programs and activities throughout the Province. Information on these programs is available directly from the Departments and their regional offices.

Manitoba Health (Sport Directorate)

7th fl. - 175 Hargrave Street
Winnipeg, Manitoba R3C 3R8
Ph. 945-3530

Manitoba Culture, Heritage and Recreation

2nd Floor - 177 Lombard Ave.
Winnipeg, Manitoba R3B 0W5
Ph. 945-5760

Manitoba Health (Sport Directorate)

Gaming funds support Department of Health programs and activities in the areas of fitness promotion, sport and research.

"To stimulate sport growth and development in Manitoba that would have a positive effect on the physical, mental and social well-being of all Manitobans" is the mandate of this provincial government department. Through the Sport Directorate, the Manitoba Lotteries Foundation helps services and projects meet the continuum of sport development from the community "grass roots" level to the elite "high performance" athlete, coach and volunteer. The Sport Directorate also provide consultative and financial assistance to encourage annual planning.

During the fiscal period of 1986-87, Manitoba Health earned a total of \$5,199,123.00 in gaming funds from the Manitoba Lotteries Foundation.

Manitoba Culture, Heritage and Recreation

The community mandate of this department is to enhance the quality of life in Manitoba and to contribute to a strengthening of community identities within the province by:

- a) promoting awareness, understanding and appreciation of Manitoba's heritage and cultural diversity;
- b) stimulating and supporting the development of community initiatives in culture, heritage and recreation;

c) identifying, protecting and interpreting significant ethnocultural, historic and prehistoric resources;

d) supporting the provision of opportunities for artists, artisans and other cultural workers to pursue their chosen fields;

e) providing greater economic benefit and development through support of cultural enterprises and other heritage and recreation projects; and

f) providing access to and supporting the diffusion of knowledge and information resources.

In support of these goals, funds generated by the various gaming operations of the Manitoba Lotteries Foundation are applied to a wide range of programs and projects.

Each year Manitoba Culture, Heritage and Recreation receives a percentage of the Gaming Fund. During the fiscal period of 1986-87, the Manitoba Lotteries Foundation contribution totalled \$14,276,281.00.



Manitoba

THE MANITOBA LOTTERIES FOUNDATION

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the financial statements, being Exhibits A to C and Schedules 1 to 7, of The Manitoba Lotteries Foundation for the fiscal year ended March 31, 1987. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Foundation as at March 31, 1987 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

F. H. Jackson, CA,
Provincial Auditor.

July 24, 1987,
Winnipeg, Manitoba.

THE MANITOBA LOTTERIES FOUNDATION

Balance Sheet
as at March 31, 1987
(with 1986 figures for comparison)

1987

1986

Assets

Current Assets:

Cash on hand and in bank	\$ 3,791,762	\$ 5,652,832
Term deposits with Minister of Finance	17,500,000	12,500,000
Accrued interest receivable	147,636	135,637

Accounts receivable:

Western Canada Lottery Corporation	2,088,439	2,305,634
Trade	232,359	355,442
Miscellaneous	83,546	198,777

Inventories - at lower of cost or net realizable value:

Bingo paper	112,428	137,680
Breakopen tickets	247,434	119,822

24,203,604	21,405,824
------------	------------

Deposit on land	109,211	109,211
-----------------	---------	---------

Net fixed assets, Note 3	3,218,756	2,566,364
--------------------------	-----------	-----------

Total assets	<u>\$27,531,571</u>	<u>\$24,081,399</u>
--------------	---------------------	---------------------

19871986**Liabilities and Fund Account Balances****Current Liabilities:****Accounts payable and accrued liabilities:**

Government of the Province of Manitoba	\$ 298,103	\$ 240,132
Western Canada Lottery Corporation	65,388	90,832
Trade	369,587	553,403

**Fund account balances - payable to
organizations or the Government of the
Province of Manitoba,
Exhibit B, Note 2:**

Casino	134,652	287,834
Bingo Halls	1,114,260	1,018,180
Gaming Fund	<u>10,271,162</u>	<u>9,566,970</u>
	12,253,152	11,757,351

Deferred employee benefit	499,256	336,886
---------------------------	---------	---------

Fund account balances - Exhibit B, Note 2:

General	2,515,021	2,737,757
Special	3,044,617	2,594,015
Equalization Fund	9,219,525	6,655,390

Total liabilities and fund account balances	<u>\$27,531,571</u>	<u>\$24,081,399</u>
--	----------------------------	----------------------------

THE MANITOBA LOTTERIES FOUNDATION

Exhibit B

Statement of Changes in Fund Account Balances for the year ended March 31, 1987 (with 1986 figures for comparison)

Fund Account Balances - payable to organizations or the Government of the Province of Manitoba, Note 2

	Fund Account Balances, Note 2					Totals	
	Casino	Bingo Halls	Gaming Fund	General	Special	Equalization Fund	1987 1986
Balance, beginning of year	\$ 287,834	\$ 1,018,180	\$ 9,566,970	\$ 2,737,757	\$ 2,594,015	\$ 6,655,390	\$ 22,860,146 \$ 17,499,901
Add:							
Revenue over expenditure, Exhibit C	4,135,409	4,329,474	45,205,410	—	—	—	53,670,293 46,781,538
Transfers between fund accounts	—	—	(4,489,442)	(222,736)	450,602	4,261,576	— —
Recoverable (recovered) from casinos, Note 2 (f)	(165,792)	—	—	—	—	—	(165,792) 77,675
	<u>4,257,451</u>	<u>5,347,654</u>	<u>50,282,938</u>	<u>2,515,021</u>	<u>3,044,617</u>	<u>10,916,966</u>	<u>76,364,647</u> <u>64,359,114</u>
Deduct:							
Funds transferred to the Government of the Province of Manitoba, Schedule 6	—	—	19,278,299	—	—	787,000	20,065,299 16,250,513
Grants to organizations, Schedule 7	<u>4,122,799</u>	<u>4,233,394</u>	<u>20,733,477</u>	—	—	<u>910,441</u>	<u>30,000,111</u> <u>25,248,455</u>
	<u>4,122,799</u>	<u>4,233,394</u>	<u>40,011,776</u>	—	—	<u>1,697,441</u>	<u>50,065,410</u> <u>41,498,968</u>
Balance, end of year Exhibit A	\$ 134,652	\$ 1,114,260	\$ 10,271,162	\$ 2,515,021	\$ 3,044,617	\$ 9,219,525	\$ 26,299,237 \$ 22,860,146

THE MANITOBA LOTTERIES FOUNDATION

Statement of Revenue and Expenditure
for the year ended March 31, 1987
(with 1986 figures for comparison)

	<u>1987</u>	<u>1986</u>
Revenue:		
Net lottery sales revenue, Schedule 1	\$40,390,572	\$30,587,600
Bingo paper and breakopen ticket sales, Schedule 2	6,180,459	9,125,162
Bingo hall revenue over expenditure, Schedule 3	4,329,474	4,150,709
Casino revenue over expenditure, Schedule 4	4,135,409	4,596,993
Interest income	1,759,631	1,474,505
License fees	796,309	388,463
Other income	<u>174,092</u>	<u>98,602</u>
	<u>57,765,946</u>	<u>50,422,034</u>
Administrative expenses, Schedule 5	<u>4,095,653</u>	<u>3,640,496</u>
Revenue over expenditure, Exhibit B	<u><u>\$53,670,293</u></u>	<u><u>\$46,781,538</u></u>

THE MANITOBA LOTTERIES FOUNDATION

Schedule of Net Lottery Sales Revenue
for the year ended March 31, 1987
(with 1986 figures for comparison)

	<u>1987</u>	<u>1986</u>
Lottery sales at retail, Note 2 (b):		
Lotto 6/49	\$ 59,908,280	\$46,477,515
Instant	22,070,000	16,000,000
Super Loto	6,286,400	7,909,010
Lotto West	3,758,968	5,826,741
Provincial	5,612,990	5,678,005
Western Express	13,555,246	5,569,979
	111,191,884	87,461,250
Interest and other revenue - Western Canada Lottery Corporation	709,202	945,364
	111,901,086	88,406,614
Cost of lottery sales - Western Canada Lottery Corporation	68,527,319	54,350,967
	43,373,767	34,055,647
Payment by agreement to the Government of Canada, Note 4	2,983,195	3,468,047
Net lottery sales revenue, Exhibit C	<u>\$ 40,390,572</u>	<u>\$30,587,600</u>

THE MANITOBA LOTTERIES FOUNDATION**Schedule of Bingo Paper and Breakopen Ticket Sales****for the year ended March 31, 1987****(with 1986 figures for comparison)**

	<u>1987</u>	<u>1986</u>
Bingo paper:		
Sales:		
- licensees	\$ 1,000,370	\$ 795,360
- bingo halls, Schedule 3	<u>225,809</u>	<u>252,083</u>
	1,226,179	1,047,443
Cost of bingo paper sold	<u>1,108,979</u>	<u>924,620</u>
Net sales	<u>\$ 117,200</u>	<u>\$ 122,823</u>
Breakopen tickets:		
Sales:		
- licensees	\$ 7,153,756	\$ 9,425,380
- bingo halls, Schedule 3	<u>649,621</u>	<u>1,093,232</u>
	7,803,377	10,518,612
Cost of breakopen tickets sold	<u>1,740,118</u>	<u>1,516,273</u>
Net sales	<u>\$ 6,063,259</u>	<u>\$ 9,002,339</u>
Bingo paper and breakopen ticket sales, Exhibit C	<u>\$ 6,180,459</u>	<u>\$ 9,125,162</u>

THE MANITOBA LOTTERIES FOUNDATION

Schedule of Bingo Hall Revenue and Expenditure
for the year ended March 31, 1987
(with 1986 figures for comparison)

	<u>1987</u>	<u>1986</u>
Revenue		
Bingo paper:		
Sales (retail)	\$8,551,926	\$8,659,491
Less:		
Prizes	5,001,030	5,156,265
Cost of paper sold, Schedule 2	<u>225,809</u>	<u>252,083</u>
	<u>3,325,087</u>	<u>3,251,143</u>
Breakopen tickets:		
Sales (retail)	7,218,044	9,073,567
Less:		
Prizes	4,691,822	5,896,969
Cost of tickets sold, Schedule 2	<u>649,621</u>	<u>1,093,232</u>
	<u>1,876,601</u>	<u>2,083,366</u>
Canteen proceeds	<u>83,140</u>	<u>118,205</u>
	<u>5,284,828</u>	<u>5,452,714</u>
Expenditure		
Advertising	32,282	89,070
Bingo hall rental	196,467	263,762
Canteen expenses	268	5,119
Depreciation and amortization	79,173	278,645
Maintenance	83,702	105,885
Other	46,978	3,879
Salaries and benefits:		
- permanent	197,694	174,732
- casual	114,741	103,263
Security	39,968	48,942
Shortage allocated to organizations	122,213	169,146
Supplies	5,561	2,088
Utilities	<u>36,307</u>	<u>57,474</u>
	<u>955,354</u>	<u>1,302,005</u>
Revenue over expenditure, Exhibit C	<u>\$4,329,474</u>	<u>\$4,150,709</u>

THE MANITOBA LOTTERIES FOUNDATION

Schedule of Casino Revenue and Expenditure
for the year ended March 31, 1987
(with 1986 figures for comparison)

	<u>1987</u>	<u>1986</u>
Revenue:		
Casino proceeds	\$7,421,355	\$7,409,517
Canteen and other income	42,517	—
Interest	<u>1,706</u>	<u>8,734</u>
	<u>7,465,578</u>	<u>7,418,251</u>
Expenditure:		
Advertising	241,645	125,679
Depreciation and amortization	169,341	144,783
Other	115,162	80,171
Rentals	257,956	193,019
Salaries and benefits:		
- permanent	220,805	208,520
- casual	2,144,583	1,932,790
Security	87,931	83,217
Supplies	<u>92,746</u>	<u>53,079</u>
	<u>3,330,169</u>	<u>2,821,258</u>
Revenue over expenditure, Exhibit C	<u>\$4,135,409</u>	<u>\$4,596,993</u>

THE MANITOBA LOTTERIES FOUNDATION

Schedule of Administrative Expenses
for the year ended March 31, 1987
(with 1986 figures for comparison)

	<u>1987</u>	<u>1986</u>
Advertising and promotion	\$ 120,677	\$ 91,188
Board members' fees and expenses	28,540	27,182
Cartage	106,231	110,640
Commissions and bonuses	137,633	123,280
Depreciation and amortization	175,343	159,817
Equipment rentals, repairs and maintenance	65,027	70,643
Insurance, security and property taxes	65,676	61,130
Office and storage space rentals	145,798	164,337
Provision for pension benefits	148,703	101,503
Postage, telephone and telex	98,386	87,621
Professional fees	69,169	46,259
Salaries and benefits	2,470,330	2,144,521
Sundry	139,345	133,692
Supplies and printing	102,037	91,124
Travel	<u>222,758</u>	<u>227,559</u>
Total administrative expenses, Exhibit C	<u>\$4,095,653</u>	<u>\$3,640,496</u>

THE MANITOBA LOTTERIES FOUNDATION

Schedule of Transfers
to the Government of the Province of Manitoba
for the year ended March 31, 1987
(with 1986 figures for comparison)

	<u>1987</u>	<u>1986</u>
Department of Culture, Heritage and Recreation		
Funds transferred from:		
Gaming Fund Account	<u>\$14,013,651</u>	<u>\$11,781,393</u>
Department of Health		
Funds transferred from:		
Gaming Fund Account	5,264,648	4,469,120
Equalization Fund Account	787,000	—
	<u>6,051,648</u>	<u>4,469,120</u>
Total transfers, Exhibit B	<u><u>\$20,065,299</u></u>	<u><u>\$16,250,513</u></u>

THE MANITOBA LOTTERIES FOUNDATION

Grants to Organizations, Note 5, for the year ended March 31 1987
(with 1986 figures for comparison)

	Casino	Bingo Halls	Gaming Fund	Equalization Fund	Totals	
					1987	1986
Manitoba Sports Federation Inc. and member organizations	\$ 606,177	\$2,642,601	\$7,153,237	\$ —	\$10,402,015	\$8,368,328
Manitoba Arts Council and member organizations	130,208	172,438	5,103,479	—	5,406,125	4,594,193
Manitoba Community Education Association Inc. and member organizations	649,504	144,560	—	—	794,064	1,723,934
Manitoba Community Services Council and member organizations	238,439	877,610	3,137,384	—	4,253,433	3,861,870
Manitoba Heritage Federation Inc.	688,656	—	—	—	688,656	490,932
Manitoba Intercultural Council and member organizations	164,648	396,185	1,546,275	—	2,107,108	1,000,648
United Way of Winnipeg	—	—	2,342,580	—	2,342,580	1,969,426
Health Sciences Centre Research Foundation	—	—	725,261	—	725,261	758,563
Manitoba Health Research Council	—	—	725,261	—	725,261	803,623
St. Boniface General Hospital Research Foundation Inc.	—	—	—	—	—	45,060
Manitoba Mental Health Research Foundation	—	—	—	—	—	35,000
Rick Hansen "Man in Motion" Trust Fund	—	—	—	10,000	10,000	—
Festival du Voyageur	261,275	—	—	—	261,275	265,556
Red River Exhibition Association	264,000	—	—	—	264,000	239,650
Folk Arts Council of Winnipeg Inc.	243,444	—	—	—	243,444	316,037
Winnipeg Blue Bombers Football Club	207,936	—	—	—	207,936	249,401
Keystone Association of Charities Inc.	—	—	—	874,510	874,510	—
Royal Canadian Legion, Manitoba and Northwest Ontario Command	—	—	—	25,931	25,931	71,310
Rural Casinos, Note 6	668,512	—	—	—	668,512	454,924
Total, Exhibit B	\$4,122,799	\$4,233,394	\$20,733,477	\$910,441	\$30,000,111	\$25,248,455

THE MANITOBA LOTTERIES FOUNDATION

Notes to the Financial Statements
for the year ended March 31, 1987

1. Establishment of the Foundation and Nature of Operations

Order-in-Council 282/83 dated March 16, 1983 proclaimed the Manitoba Lotteries Foundation Act.

The Foundation is the Agent of the Government of the Province of Manitoba in the Western Canada Lottery Corporation (W.C.L.C.). W.C.L.C. is responsible for providing the lottery tickets, determining the winning tickets, paying out the prizes, as well as other administrative responsibilities as determined by the member Provinces.

The Manitoba Lotteries Foundation is responsible for the overall conduct and management of all lottery schemes in Manitoba, except for raffles with prizes under three thousand dollars. The Foundation may issue licenses to organizations to hold lottery schemes, in which case, the Foundation carries out a supervisory and compliance control.

The Manitoba Lotteries Foundation conducts and manages bingo and breakopen ticket lotteries at two bingo halls (three halls prior to January 1, 1986). The Foundation also conducts and manages all casinos in the Province of Manitoba.

2. Significant Accounting Policies

(a) Revenue and expenditure recognition

Revenue and expenditure is recorded on an accrual basis except for the following:

- (i) Revenue on lottery ticket sales, Schedule 1, Note 2 (b), is recognized on sales for which draws are completed in the fiscal year.
- (ii) Casino revenue and expenditure, Schedule 4, Note 2 (f), is recognized on casinos which are completed in the fiscal year.
- (iii) Licensing revenue, Note 2 (c), is recognized on a cash receipts basis.

(b) Government Lotteries

Lottery revenue is received from W.C.L.C. and represents the revenue the Foundation receives from government lottery sales in the Province of Manitoba less Manitoba's share of W.C.L.C.'s costs associated with these sales and Manitoba's share of the amounts owing to the Federal Government.

(c) License Fees

License fees are assessed to recover certain of the Foundation's operating costs pertaining to the regulation of lottery schemes in the Province.

(d) Fixed Assets and Depreciation

Fixed assets are recorded at cost.

Furniture and other equipment are depreciated on a straight-line basis over 5 years.

Building is depreciated on a straight-line basis over 20 years.

Leasehold improvements are amortized over the term of the lease.

Automotive equipment is depreciated on a declining balance method at 30% per annum.

Casino equipment and chips is depreciated on a declining balance method at 20% per annum.

Casino security equipment is depreciated on a straight-line basis over 10 years.

(e) Pension Costs

The officers and employees of the Foundation are members of the Civil Service of the Government of the Province of Manitoba, and they contribute to and are pensionable under the Civil Service Superannuation Fund.

It is the policy of the Foundation to provide for the employer's portion of pension benefits earned by employees on an indexed basis. The actuary's formula projects this figure to be \$499,256 as at March 31, 1987 (1986 - \$336,886).

(f) Casino

The casino statement, Schedule 4, reflects the transactions pertaining to casinos operated and managed by the Foundation.

The casinos are charged with all direct expenses of operating the casinos. There is no allocation of senior management's salaries which are considered indirect. All indirect expenses are recorded as administrative expenses because they affect the total operations of the Foundation.

The Foundation deducts from the proceeds of each casino an amount intended to recover direct expenses. If direct expenses exceed the amount charged to the casinos the variance is recovered from future casinos. If the direct expenses are less than the amount charged to the casinos the variance is payable to the organizations that were involved with the casino events.

(g) Bingo Halls

The bingo hall statement, Schedule 3, reflects the transaction pertaining to bingo hall events operated and managed by the Foundation. The bingo hall operations are charged for all direct expenses of operating the bingo halls. All indirect expenses are recorded as administrative expenses because they affect the total operations of the Foundation.

The Foundation deducts from the proceeds of each bingo event an amount intended to recover direct expenses. If direct expenses exceed the amount charged to the bingos the variance is recovered from future bingos. If the direct expenses are less than the amount charged to the bingos the variance is payable to the umbrella groups associated with the organizations that were involved with the bingo events.

(h) Fund Accounts

The Foundation maintains specific fund

accounts in order to recognize restrictions placed on the use of resources. The funds are included in the net assets of the Foundation.

The proceeds realized by the Foundation from time to time from the conduct and management of lottery schemes, less the costs of conducting and managing the lottery schemes and administering the Manitoba Lotteries Foundation Act, are to be used and applied as the Lieutenant Governor in Council directs or in accordance with general guidelines prescribed by the Lieutenant Governor in Council.

(i) Gaming Fund Account

The Gaming Fund Account is credited with the net proceeds from operations except for casino and bingo hall operations.

The available proceeds of this Fund Account are payable and/or transferable to charitable community organizations through their designated umbrella groups, to designated departments of the Government of the Province of Manitoba and to the Equalization Fund Account based on a sharing formula approved by Order-in-Council.

(ii) Casino and Bingo Hall Fund Accounts

These fund accounts are credited with the net proceeds from casinos and bingos operated by the Foundation.

The proceeds are payable to umbrella groups and/or community organizations that were involved with the casino and/or bingo events.

(iii) General Fund Account

The General Fund Account reflects \$2,000,000 in retained income for working capital and investments in fixed assets. For the year ended March 31, 1987 a net interfund transfer to the Special Fund Account was recorded as required by Cabinet directive. Transfers are being made back to the Special Fund Account over the next three years to carry out the balance of the Cabinet directive.

(iv) Special Fund Account

The Special Fund Account is set up and used for special projects as authorized by Cabinet. Changes in the account during the year are set out below:

Opening balance	\$2,594,015	
Transfers from		
General Fund Account,		
Note 2(h) (iii)	\$ 222,736	
Interest transferred		
from Gaming Fund		
Account	<u>227,866</u>	<u>450,602</u>
Closing balance,		
Exhibit B		<u>\$3,044,617</u>

(v) Equalization Fund Account

This Fund Account receives a 10% allocation of the net proceeds credited to the Gaming Fund Account after adjustments for medical research proceeds and interest. This is based on a sharing formula approved by Order-In-Council. The purpose of this Fund Account is to provide for adjustments which may be necessary, based on historical relationships between sharing groups in the Gaming Fund Account and any other uses at the sole discretion of the Government of the Province of Manitoba.

3. Fixed Assets

	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>1987 Net Book Value</u>	<u>1986 Net Book Value</u>
Land	\$ 852,164	\$ —	\$ 852,164	\$ 102,164
Furniture and equipment	661,105	334,952	326,153	388,968
Building	1,215,938	109,959	1,105,979	1,128,824
Leasehold improvements	753,440	604,621	148,819	202,812
Casino equipment and chips	500,106	179,824	320,282	315,207
Other equipment	132,314	58,748	73,566	66,720
Casino security	<u>476,326</u>	<u>84,533</u>	<u>391,793</u>	<u>361,669</u>
	<u>\$4,591,393</u>	<u>\$1,372,637</u>	<u>\$3,218,756</u>	<u>\$2,566,364</u>

4. **Payment to Government of Canada**

Effective January 1, 1980, the Government of Canada terminated its involvement in lotteries. In return, the ten Provinces are to contribute an annual sum of \$24,000,000, adjusted for inflation, to the Federal Government.

During 1986, a second agreement was signed between the Provinces of Canada and the Federal Government whereby the Provinces have agreed to pay \$100,000,000 over three years in return for the Federal Government amending the criminal code removing the Federal Government as a participant in lottery and gaming activities.

Manitoba's share of payment	<u>1987</u>	<u>1986</u>
Agreement #1	\$1,594,870	\$1,821,054
Agreement #2	<u>1,388,325</u>	<u>1,646,993</u>
	<u>\$2,983,195</u>	<u>\$3,468,047</u>

5. **Grants to Organizations**

Grants to organizations reflected on Schedule 7 were made to the umbrella groups and/or member organizations. Agreements and/or letters of understanding with the umbrella groups provide for Manitoba Lotteries Foundation to make certain payments directly to member organizations.

6. Rural Casinos

Proceeds of the rural casinos were paid to the following organizations:

	<u>1987</u>	<u>1986</u>
East St. Paul Community Club	\$107,234	\$ 47,163
South Interlake Golf and Country Club and Woodlands R.C.L. #248	54,118	—
Provincial Exhibition of Brandon	53,579	55,267
Grosse Isle Memorial Park	47,814	—
St. Andrews Community Club	42,224	21,652
Selkirk Casino Umbrella Group	35,272	14,832
St. Anne's Minor Hockey	32,552	—
Lorette Sports Centre	32,384	18,537
St. Francois Xavier Community Club	30,000	—
Kinsmen Club of Stonewall	28,979	17,816
Kinsmen Club of Thompson	21,451	10,489
Elie Community Club	19,262	16,058
Oakbank Community Club	18,038	16,007
Garson Community Rink Inc.	17,718	32,731
Carman Curling Club	16,066	—
Beausejour Brokenhead Memorial Arena Board	14,679	22,092
Kinsmen Club of Teulon	14,593	—
Winnipeg Beach Community Curling Club	13,233	18,452
St. Adolphe Jaycees	12,217	—
Labroquerie Arena Board	10,532	5,296
Kinsmen Club of Flin Flon	7,969	4,054
East Selkirk Recreation Assoc. Inc.	7,773	38,978
Kinsmen Club of The Pas	6,052	4,985
Lions Club of The Pas	6,052	—
Northern Manitoba Trapper's Festival	6,052	—
Balmoral Skating and Hockey Club	5,602	13,887
Kinsmen Club of Stony Mountain	5,602	24,134
Kinsmen Club of Gimli	1,465	15,005
Grosse Isle Memorial Recreation Club	—	8,206
St. Anne Aces Hockey Club	—	3,547
South Interlake Golf & Country Club	—	27,554
Morris Curling Club	—	18,182
	<u>\$668,512</u>	<u>\$454,924</u>

7. Commitments and Contingent Liability

- (a) The following contractual liabilities exist as at March 31, 1987:

Operating lease commitments for facilities, halls and equipment amount to \$682,000.

The minimum rental payments on these leases for subsequent fiscal years are:

March 31, 1988 \$275,379

March 31, 1989 235,784

March 31, 1990 170,837

\$682,000

- (b) The following contingent liability exists as at March 31, 1987:

Four claims have been filed against the Foundation. Two claims are with respect to the Foundation's operating, managing and controlling certain specified bingo halls in the Province of Manitoba. One claim pertains to the Foundation's refusal of a certain licence while another claim concerns the business of selling lottery products outside the Province of Manitoba.

The financial implication of these claims cannot be determined at this time.

No provision has been made in the accounts of the Foundation in respect to these claims as at March 31, 1987.

8. Comparative Figures

The 1986 figures have been reclassified where necessary to conform to the 1987 financial statement presentation.